

## CHAPTER I

### FINANCES OF THE STATE GOVERNMENT

#### In Summary

Haryana State had a relatively comfortable financial year. The revenue deficit reduced from Rs 685 crore in 2002-03 to Rs 274 crore in 2003-04, although there was a significant growth in fiscal deficit from Rs 1,471 crore in 2002-03 to Rs 2,933 in 2003-04.

Substantial growth in revenue receipts during the year was due to collection of more receipts under Sales Tax (Rs 501 crore), Stamp and Registration Fee (Rs 154 crore), interest receipts from Public Sectors and other undertakings (Rs 144 crore), State Lotteries (Rs 140 crore), Electricity Duty (Rs 58 crore) and State Excise (Rs 45 crore). On an average around 87 *per cent* of the revenue had come from the State's own resources. Sales Tax was the major source of State's own tax revenue and contributed 61 *per cent*. This was followed by State Excise (15 *per cent*), Stamp Duty and Registration Fee (11 *per cent*) Taxes on Goods and Passengers, etc. (10 *per cent*). Of non-tax revenue, State Lotteries (25 *per cent*), Road Transport (22 *per cent*) and Interest receipts (22 *per cent*) were the principal contributors.

Overall expenditure of the State increased from Rs 8,132 crore in 1999-2000 to Rs 12,932 crore in 2003-04. Revenue expenditure constituted 78 *per cent* of total expenditure. Capital Expenditure apparently decreased during the year, due to realisation of Rs 669.68 crore of recoveries under 'Procurement and Supply of Food Grains'. The expenditure on loans and advances increased by 434 *per cent* due to grant of loan of Rs 2,114 crore to Haryana Vidut Prasaran Nigam Limited during the year.

Salaries (Rs 3,256 crore), interest payments (Rs 2,113 crore), pensions (Rs 766 crore) and subsidies (Rs 957 crore) alone consumed 72 *per cent* of total revenue receipts of the State during the year. The overall fiscal liabilities of the state increased from Rs 12,249 crore in 1999-2000 to Rs 22,194 crore in 2003-04. These liabilities as a ratio of GSDP increased from 25 *per cent* in 1999-2000 to 30 *per cent* in 2003-04 and stood at 2.25 times its revenue receipts. Nearly one-third of the liabilities had no assets back-up.

Most of the borrowings (88 *per cent*) were spent on repayment of old borrowings, leaving little scope for infrastructure development.

#### 1.1 Introduction

**1.1.1** This Chapter discusses the financial position of the Government of Haryana based on the analysis of the information contained in the Finance Accounts. The analysis is based on the trends in receipts and expenditure, the quality of expenditure and the financial management of the State Government.

The Finance Accounts of the Government of Haryana are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in

the Consolidated Fund, Contingency Fund and the Public Account of the State Government. The lay out of the Finance Accounts is depicted in Box 1.

**Box 1**

**Lay out of Finance Accounts**

Statement No. 1 presents the summary of transactions of the State Government –receipts and expenditure, revenue and capital, public debt receipts and disbursements, etc. in the consolidated fund, contingency fund and public account of the State.

Statement No. 2 contains the summarised statement of capital outlay showing progressive expenditure to the end of 2003-04.

Statement No. 3 gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.

Statement No. 4 indicates the summary of debt position of the State, which includes borrowings from internal debt, Government of India, other obligations and servicing of debt.

Statement No. 5 gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears, etc.

Statement No. 6 gives the summary of guarantees given by the Government for repayment of loans, etc. raised by the statutory corporations, Government companies, local bodies and other institutions.

Statement No. 7 gives the summary of cash balances and investments made out of such balances.

Statement No. 8 depicts the summary of balances under consolidated fund, contingency fund and public account as on 31 March 2004.

Statement No. 9 shows the revenue and expenditure under different heads for the year 2003-04 as a percentage of total revenue/expenditure.

Statement No. 10 indicates the distribution between charged and voted expenditure incurred during the year.

Statement No. 11 indicates the detailed account of revenue receipts by minor heads.

Statement No. 12 provides detailed account of revenue expenditure by minor heads under non-plan, State plan and centrally sponsored schemes separately and capital expenditure major head wise.

Statement No. 13 depicts the detailed capital expenditure incurred during and to the end of 2003-04.

Statement No. 14 shows the details of investments of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies, etc. up to the end of 2003-04.

Statement No. 15 depicts the capital and other expenditure to the end of 2003-04 and the principal sources from which the funds were provided for that expenditure.

Statement No. 16 gives the detailed account of receipts, disbursements and balances under heads of account relating to debt, contingency fund and public account.

Statement No. 17 presents detailed account of debt and other interest bearing obligations of the Government of Haryana.

Statement No. 18 provides the detailed account of loans and advances given by the Government of Haryana, the amount of loan repaid during the year, the balance as on 31 March 2004 and the amount of interest received during the year.

Statement No. 19 gives the details of earmarked balances of reserve funds.

## 1.2 Trend of finances with reference to the previous year

1.2.1 Finances of the State Government during the current year compared to the previous year were as under:

(Rupees in crore)

2002-03	Sr. No	Major Aggregates	2003-04
<b>8,657</b>	<b>1</b>	<b>Revenue Receipts (2+3+4)</b>	<b>9,843</b>
5,550	2	Tax Revenue	6,348
1,808	3	Non-Tax Revenue	2,223
1,299	4	Other Receipts	1,272
<b>106</b>	<b>5</b>	<b>Non-Debt Capital Receipts</b>	<b>156</b>
106	6	Of which Recovery of Loans	156
<b>8,763</b>	<b>7</b>	<b>Total Receipts (1+5)</b>	<b>9,999</b>
<b>8,171</b>	<b>8</b>	<b>Non-Plan Expenditure (9+11+12)</b>	<b>10,563</b>
8,293	9	On Revenue Account	8,993
1,946	10	Of which, Interest Payments	2,113
(-) 122	11	On Capital Account	1,570
288	12	Of which Loans disbursed	2,238
<b>2,063</b>	<b>13</b>	<b>Plan Expenditure (14+15+16)</b>	<b>2,369</b>
1,049	14	On Revenue Account	1,124
1,014	15	On Capital Account	1,245
168	16	Of which Loans disbursed	191
<b>10,234</b>	<b>17</b>	<b>Total Expenditure (8+13)</b>	<b>12,932</b>
<b>1,471</b>	<b>18</b>	<b>Fiscal Deficit (17-7)</b>	<b>2,933</b>
<b>685</b>	<b>19</b>	<b>Revenue Deficit (9+14-1)</b>	<b>274</b>
<b>(-475)</b>	<b>20</b>	<b>Primary Deficit (+)/Surplus(-) (18-10)</b>	<b>820</b>

### 1.3 Summary of receipts and disbursements

1.3.1 Table 1 summarises the finances of the State Government of Haryana for the year 2003-04 covering revenue receipts and expenditure, capital receipts and expenditure, public debt receipts and disbursements and public account receipts and disbursements made during the year as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table 1 SUMMARY OF RECEIPTS AND DISBURSEMENTS FOR THE YEAR 2003-04 (Rupees in crore)

2002-03	Receipts	2003-04	2002-03	Disbursements	2003-04		
<b>Section-A: Revenue</b>							
					<u>Non-Plan</u>	<u>Plan</u>	<u>Total</u>
8,657.02	<b>I. Revenue receipts</b>	9,843.48	9,342.13	<b>I. Revenue expenditure</b>	8,992.84	1124.35	10,117.19
5,549.68	Tax revenue	6,348.05	3,995.32	General Services	4,338.48	29.24	4,367.72
1,807.85	Non-tax revenue	2,223.06	2,808.70	Social Services	2,287.34	708.37	2,995.71
756.59	Share of Union Taxes/Duties	600.75	2,532.48	Economic Services	2,319.31	386.74	2,706.05
542.90	Grants from Government of India	671.62	5.63	Grants-in-aid / Contributions	47.71	-	47.71
<b>Section-B: Capital</b>							
-	<b>II. Misc. Capital Receipts</b>	-	435.80	<b>II. Capital Outlay</b>	(-)668.00	1053.65	385.65
106.30	<b>III. Recoveries of Loans and Advances</b>	155.58	456.43	<b>III. Loans and Advances disbursed</b>	2,238.34	190.98	2,429.32
3,648.93	<b>IV. Public Debt receipts*</b>	6,284.76	1,932.28	<b>IV. Repayment of Public Debt</b>	3,789.52	-	3,789.52
4,920.81	<b>V. Public account receipts</b>	7,662.06	5,288.81	<b>V. Public account disbursements</b>	6,573.32	-	6,573.32
155.87	<b>Opening Balance</b>	33.48	33.48	<b>Closing Balance</b>	684.36	-	684.36
17,488.93	<b>Total</b>	23,979.36	17,488.93	<b>Total</b>	21,610.38	2,368.98	23,979.36

Note: Minus expenditure is because of recoveries on capital account.

\* Includes net ways and means advances and over draft.

### 1.4 Audit methodology

1.4.1 Audit observations on the Finance Accounts bring out the trends in the major fiscal aggregates of receipts and expenditure and from the statements of the Finance Accounts for the year 2003-04 and wherever necessary, show these in the light of time series data and periodic comparisons. Major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and loans and advances, etc. have been presented as percentages to the State's Gross Domestic Product (GSDP) at current market prices. For tax revenues, non-tax revenues, revenue expenditure, etc. buoyancy projections have also been provided for a further estimation of the range of fluctuations with reference to the base represented by GSDP. The key indicators adopted for the purpose are (i) Resources by volumes and sources, (ii) Application of resources, (iii) Assets and liabilities and (iv) Management of deficits. Audit observations have also taken into account the cumulative impact of resource mobilization efforts, debt servicing and corrective fiscal measures. Overall financial performance of the State Government as a body

corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates.

In addition, the section also contains a paragraph on indicators of financial performance of the Government. Some of the terms used here are explained in *Appendix I*.

## State finances by key indicators

### 1.5 Resources by volumes and sources

**1.5.1** Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenue, non-tax revenue, State's share of union taxes and duties and grants-in-aid from the Central Government. Capital receipts comprise of miscellaneous capital receipts such as proceeds from disinvestment, recoveries of loans and advances, debt receipts from internal sources viz. market loans, borrowings from financial institutions/commercial banks, etc. and loans and advances from Government of India as well as accruals from Public Account.

Table 2 shows that the total receipts of the State Government for the year 2003-04 were Rs 23,946 crore. Of these, revenue receipts of the State Government were only Rs 9,843 crore, constituting 41 *per cent* of the total receipts. The balance of receipts came from borrowings and public account receipts.

**Table 2 – Resources of Haryana**

		(Rupees in crore)
<b>I. Revenue Receipts</b>		<b>9843</b>
<b>II. Capital Receipts</b>		<b>6,441</b>
<i>a</i>	<i>Miscellaneous Receipts</i>	-
<i>b</i>	<i>Recovery of Loans and Advances</i>	156
<i>c</i>	<i>Public Debt Receipts</i>	6,285
<b>III. Public Account Receipts</b>		<b>7,662</b>
<i>a</i>	<i>Small Savings, Provident Funds, etc.</i>	1,000
<i>b</i>	<i>Reserve Funds</i>	177
<i>c</i>	<i>Deposits and Advances</i>	4,457
<i>d</i>	<i>Suspense and Miscellaneous</i>	194
<i>e</i>	<i>Remittances</i>	1,834
<b>Total Receipts</b>		<b>23,946</b>

## Revenue receipts

**1.5.2** Statement 11 of the Finance Accounts details the Revenue Receipts of the Government. The Revenue Receipts of the State consist mainly of its own taxes and non-tax revenues, central tax transfers and grants-in-aid from Government of India. Overall revenue receipts, their annual rate of growth,

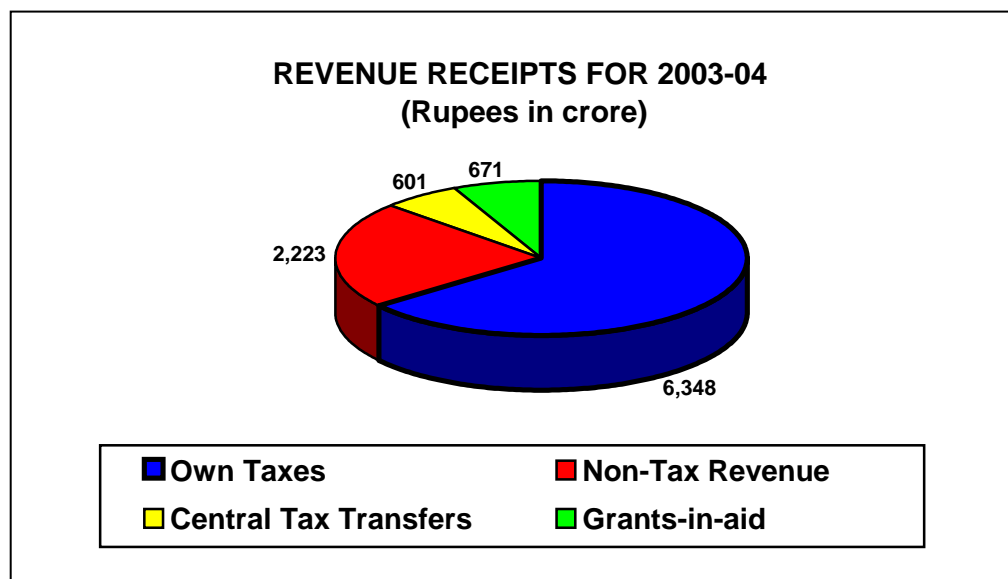
ratio of these receipts to the State's Gross Domestic Product and their buoyancy are indicated in Table 3.

**Table 3: Revenue Receipts – Basic Parameters (Values: Rupees in crore and others in per cent)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Receipts	5,767	6,574	7,600	8,657	9,843
Own taxes	61.00	65.58	65.41	64.12	64.49
Non-Tax Revenue	21.83	21.89	21.92	20.88	22.58
Central Tax Transfers	9.10	5.26	5.92	8.73	6.11
Grants-in-aid	8.07	7.27	6.75	6.27	6.82
Rate of Growth	5.26	13.99	15.61	13.91	13.70
Revenue Receipts/GSDP	11.79	11.94	12.62	13.15	13.49
Revenue Buoyancy	0.436	1.114	1.666	1.487	1.263
GSDP Growth	12.06	12.56	9.37	9.34	10.85

Revenue receipts of the State increased by 71 per cent from Rs 5,767 crore in 1999-2000 to Rs 9,843 crore in 2003-04. The increase in revenue during the year over 2002-03 from Rs 8,657 crore to Rs 9,843 crore was mainly on account of Sales Tax (Rs 501 crore), Stamps and Registration Fees (Rs 154 crore) interest receipts from Public Sector and other undertakings (Rs 144 crore), State Lotteries (Rs 140 crore), major and medium irrigation on sale of water (Rs 131 crore), Electricity duty (Rs 58 crore) and State Excise (Rs 45 crore).

While on an average around 87 per cent of the revenue came from the State's own resources, central tax transfers and grants-in-aid together continued to contribute nearly 13 per cent of the total revenue. Sales tax was the major source of State's own tax revenue having contributed 61 per cent of the tax revenue followed by State Excise (15 per cent), stamp duty and registration fee (11 per cent), taxes on goods and passengers, etc. (10 per cent). Of non-tax revenue sources, State Lotteries (25 per cent), Road Transport (22 per cent) and interest receipts (22 per cent) were the principal contributors. The high receipts under State Lotteries (Rs 547.16 crore) during the year were, however, neutralised by equally high expenditure of Rs 559.32 crore on State Lotteries. Similarly, the receipts of Rs 482.21 crore under Transport during the year were neutralised by equally high expenditure of Rs 557.70 crore under the Transport as Haryana does not have a Road Transport Corporation and the State buses are run under the Department of Transport directly. Further, a large chunk of interest receipts (Rs 482.12 crore) was notional in nature as these were from the State's own irrigation works, civil supplies expenditure, road transport and multi purpose river scheme.



Besides, the arrears of revenue increased by 173 *per cent* from Rs 312 crore in 1999-2000 to Rs 851 crore at the end of 2003-04. Of these, Rs 227 crore (27 *per cent*) were outstanding for a period of more than five years. Arrears were mainly in respect of taxes on sales, trade, etc. (Rs 717.39 crore), taxes and duties on electricity (Rs 64.06 crore), taxes on goods and passengers (Rs 29.87 crore) and State Excise (Rs.28.67 crore). The deterioration in the position of arrears of revenue leaves much to be desired about the revenue realising efforts of the State Government.

The source of revenue receipts under different heads and GSDP during 1999-2004 is indicated in Table 4.

**Table 4 – Sources of receipts: Trends**

(Rupees in crore)

Year	Revenue Receipts	Capital Receipts			Total Receipts	Gross State Domestic Product
		Non-Debt Receipts	Debt Receipts	Accruals in Public Account		
1999-2000	5,767	223	2,038	3,789	11,827	48,910
2000-01	6,574	69	1,882	4,478	13,003	55,055
2001-02	7,600	85	3,359	4,914	15,958	60,212
2002-03	8,657	106	3,649	4,921	17,333	65,837
2003-04	9,843	156	6,285	7,662	23,946	72,980

There was appreciable increase in the receipts from Public debt and Public Account during the years 2003-04 while Government borrowings increased by 72 *per cent*, the Public Account receipts increased by 56 *per cent*. About 68 *per cent* of the borrowings were applied for savings and repayment of debt leaving very little for infrastructure/levelpayment/growth of GSDP.

## 1.6 Application of resources

### Trend of Growth

**1.6.1** Statement 12 of the Finance Accounts depicts the detailed revenue expenditure by minor heads and capital expenditure by major heads. The total expenditure of the State increased by 59 per cent from Rs 8,132 crore in 1999-2000 to Rs 12,932 crore in 2003-04.

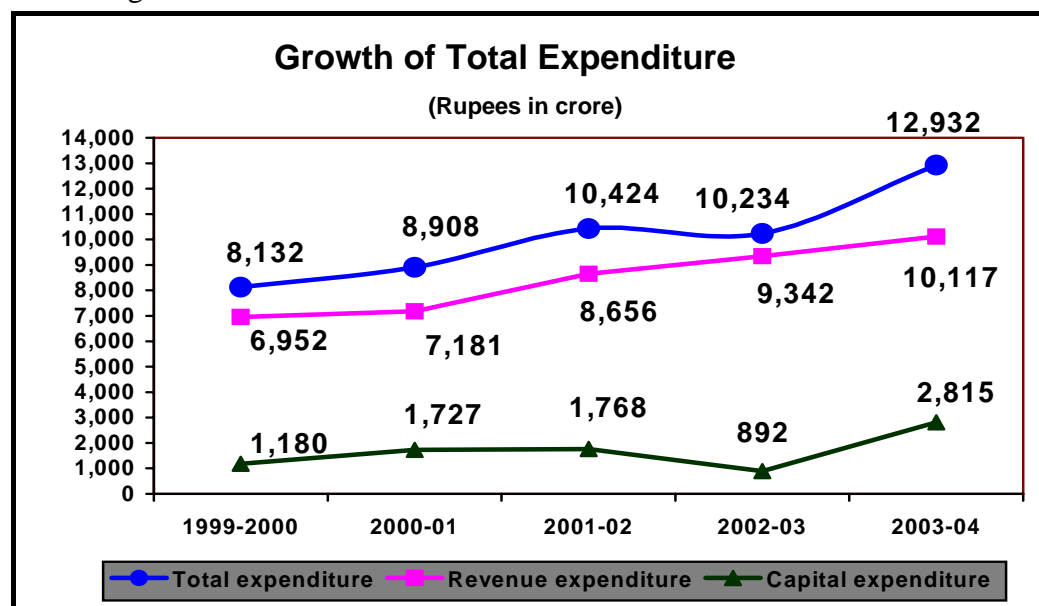
Total expenditure of the State, its annual growth, ratio of expenditure to GSDP and revenue receipts and its buoyancy with regard to GSDP and revenue receipts are indicated in Table-5 below:

**Table 5: Total Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Total Expenditure (TE)	8,132	8,908	10,424	10,234	12,932
Rate of Growth	1.70*	9.54	17.02	1.82*	26.36
TE/GSDP	16.63	16.18	17.31	15.54	17.72
Revenue Receipts/TE	70.92	73.80	72.91	84.59	76.11
<b>Buoyancy of Total Expenditure with</b>					
GSDP	(-) 0.141	0.760	1.817	(-) 0.195	2.430
Revenue Receipts	(-) 0.324*	0.682	1.090	(-) 0.131	1.924

\* Rate of growth of revenue receipts was negative in 1999-2000 and 2002-03.

The increase in expenditure in the current year was primarily due to increase in the disbursement of loans by Rs 2114 crore during the year for transmission and distribution of electricity under “Loans for Power Projects”. There was an upward trend in the ratio of revenue receipts to total expenditure from 71 per cent in 1999-2000 to 76 per cent in 2003-04, indicating that about 24 per cent of the State’s total expenditure was being financed from borrowings.



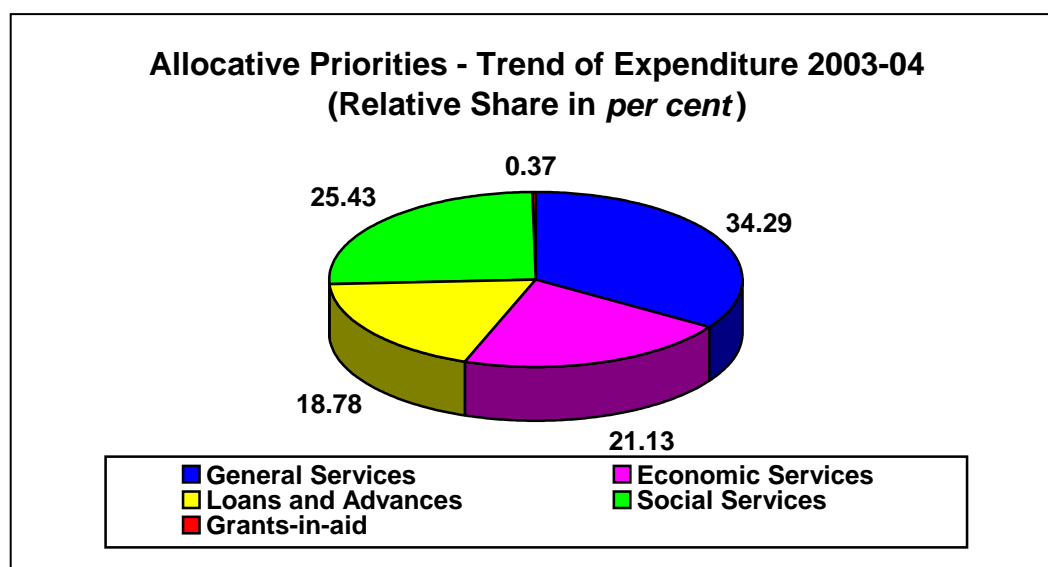


In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services and loans and advances. The relative share of these components in total expenditure is indicated in Table 6.

**Table 6: Components of expenditure – Relative Share (in per cent)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
General Services	36.03	35.33	33.93	39.47	34.29
Social Services	29.79	29.74	27.97	29.55	25.43
Economic Services	30.66	31.60	34.92	26.46	21.13
Grants-in-aid	-	0.16	0.29	0.06	0.37
Loans and Advances	3.52	3.17	2.89	4.46	18.78

The movement of relative share of these components of expenditure indicated that while the shares of economic services, general services and social services in total expenditure declined from 31, 36 and 30 *per cent* in 1999-2000 to 21, 34 and 25 *per cent* respectively in 2003-04, the relative share of loans and advances sharply increased from 4 *per cent* in 1999-2000 to 19 *per cent* in 2003-04.



### Incidence of revenue expenditure

**1.6.2** Revenue expenditure had the predominant share in total expenditure. Revenue expenditure is usually incurred to maintain the current level of assets and services. Over all revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and revenue receipts and their buoyancy with both GSDP and revenue receipts are indicated in Table 7.

**Table 7: Revenue Expenditure – Basic Parameters (Value: Rupees in crore and others in per cent)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Expenditure (RE)	6,952	7,181	8,656	9,342	10,117
Rate of Growth	(-) 0.95	3.29	20.54	7.93	8.30
RE/ GSDP	14.21	13.04	14.38	14.19	13.86
RE as per cent of TE	85.49	80.61	83.04	91.28	78.23
RE as per cent to Revenue Receipts	120.55	109.23	113.89	107.91	102.78
<b>Buoyancy of Revenue Expenditure with</b>					
GSDP	(-)0.079**	0.262	2.193	0.848	0.765
Revenue Receipts	(-)0.182**	0.235	1.316	0.570	0.606

\*\* Rate of growth of revenue expenditure and revenue receipts had a negative growth in 1999-2000.

Revenue expenditure of the State increased by 46 per cent from Rs 6,952 crore in 1999-2000 to Rs 10,117 crore in 2003-04. During the year 2003-04 the revenue expenditure increased by Rs 775 crore mainly due to more expenditure on interest payments (Rs 167 crore), transmission and distribution of power (Rs 130 crore), introduction of new lotteries etc. (Rs 126 crore), elementary/secondary education (Rs 81 crore), road transport (Rs 56 crore) and water supply and sanitation (Rs 50 crore).

Revenue receipts financed 97 per cent of revenue expenditure of the State Government during 2003-04, which has led to the decline in revenue deficit. Though the ratio of revenue expenditure to revenue receipts declined during 1999-2004 dependence of the State on borrowings, for meeting its current expenditure, continues primarily due to the fact that salaries (Rs 3,256 crore), interest payments (Rs 2,113 crore), and pensions (Rs 766 crore) alone consumed 62 per cent of total revenue receipts of the State during the year.

### **High salary expenditure**

**1.6.3** Salaries alone accounted for nearly 33 per cent of the revenue receipts of the State. The expenditure on salaries increased by 21 per cent from Rs 2,687 crore in 1999-2000 to Rs 3,256 crore in 2003-04 as indicated in the Table 8.

**Table 8**

(Rupees in crore)

Heads	1999-2000	2000-01	2001-02	2002-03	2003-04
Salary expenditure	2,686.98	2,700.18	3,032.18	3,008.46	3,255.96
As percentage of GSDP	5.49	4.90	5.04	4.57	4.46
As percentage of Revenue Receipts	46.59	41.07	39.90	34.75	33.07

### **Huge expenditure on pension payments**

**1.6.4** Pension payments have increased by 30 per cent from Rs 587.36 crore in 1999-2000 to Rs 765.70 crore in 2003-04. Year-wise break-up of expenditure incurred on pension payments during the years 1999-2000 to 2003-04 was as under:

Table 9

Year	Expenditure	Percentage to total revenue
	Rupees in crore	
1999-2000	587.36	8
2000-01	570.84	8
2001-02	657.05	8
2002-03	745.91	8
2003-04	765.70	8

With the increase in the number of retirees, the pension liabilities were likely to increase further in future. The State Government had not constituted any fund to meet the fast rising pension liabilities of the retired State employees. Considering the rate at which pension liabilities are increasing, reforms in the existing pension schemes assume critical importance.

### *Interest payments*

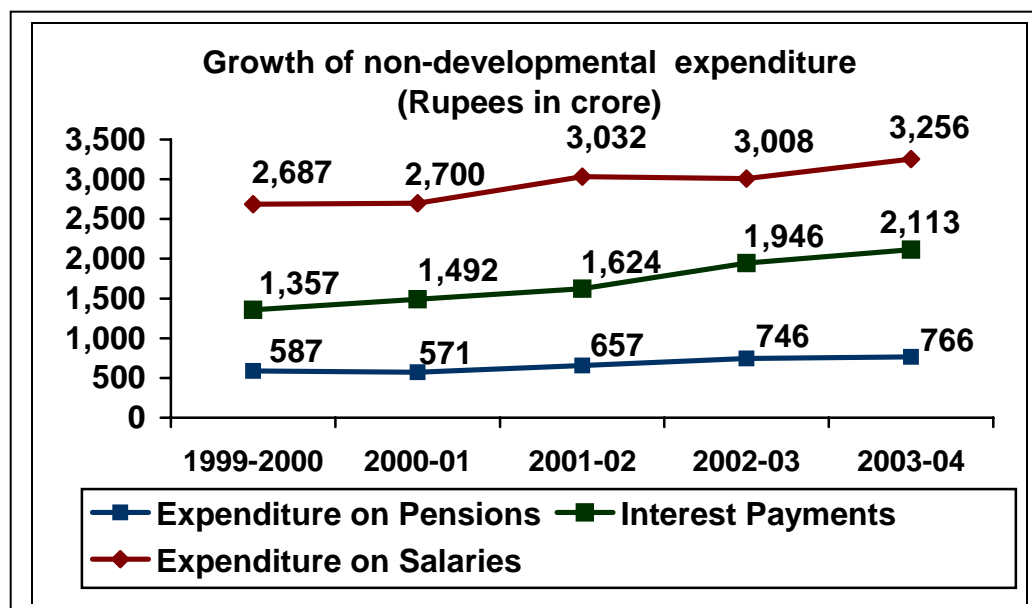
**1.6.5** The Eleventh Finance Commission (August 2000) recommended that as a medium term objective, States should endeavour to keep interest payments as a ratio to revenue receipts to 18 *per cent*. It was, however, observed that interest payments as a percentage of revenue receipts ranged between 21 and 24 during the last five years. If we exclude the receipts from State lotteries, Road transport and notional interest receipts from the revenue receipts as there are equally high level of corresponding entries in the revenue expenditure side, interest payments as percentage of revenue receipts would rise upto 25 *per cent* against 21 *per cent* of revenue receipts during 2003-04.

Table 10

Year	Interest Payments	Percentage of interest payment with reference to	
	(Rupees in crore)	Revenue Receipts	Revenue Expenditure
1999-2000	1,357	24	20
2000-01	1,492	23	21
2001-02	1,624	21	19
2002-03	1,946	22	21
2003-04	2113	21	21

In absolute terms, interest payments increased steadily by 56 *per cent* from Rs 1,357 crore in 1999-2000 to Rs 2,113 crore in 2003-04 primarily due to increased interest on Internal Debt by Rs 803 crore. Large interest payments, increasing year after year, due to continued reliance on borrowing for meeting the deficits crowd out the expenditure on primary education, health and social welfare schemes.

The graph given below indicates the growth of non-development expenditure on salaries, interest and pensions during 1999-2000 to 2003-04.



### Subsidies by the Government

**1.6.6** Though the finances of the State are under strain, State Government has been paying subsidies to the various Nigams, Corporations, etc. During the last five years, State Government paid the subsidies under various schemes as under:

Table 11

		(Rupees in crore)				
Sr. No.	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Haryana Vidyut Prasaran Nigam Limited	412.00	138.33	763.54	829.10	923.88
2.	Haryana State Minor Irrigation (Tubewells) Corporation*	42.80	69.51	85.15	39.31	-
3.	Others	14.31	18.15	11.04	15.11	33.56
	<b>Total</b>	<b>469.11</b>	<b>225.99</b>	<b>859.73</b>	<b>883.52</b>	<b>957.44</b>
1.	Percentage Increases (+)/ Decreases (-) over previous years	(-) 47	(-) 52	281	3	8
2.	Percentage of subsidy with total expenditure	6	3	8	9	7

\* Corporation closed in July 2002.

During the current year, subsidies constituted seven *per cent* of the total expenditure out of which 97 *per cent* was paid to Haryana Vidyut Prasaran Nigam Limited alone.

## 1.7 Expenditure by allocative priorities

**1.7.1** The actual expenditure of the State in the nature of plan expenditure, capital expenditure and developmental expenditure emerging from Statement 12 of Finance Accounts reflects the allocative priorities of the State. Higher

the ratio of these components to total expenditure, better is deemed to be the quality of expenditure. Table 12 below gives the percentage share of these components of expenditure in State's total expenditure.

**Table 12: Quality of expenditure (per cent to total expenditure\*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Plan Expenditure	21.97	21.40	20.14	18.52	16.84
Capital Expenditure	10.99	16.22	14.07	4.26	2.98
Developmental Expenditure	60.44	61.34	62.89	56.01	46.56

All the three components of expenditure show a relative decline during 1999-2004. Expenditure on plan component declined from 22 per cent of total expenditure in 1999-2000 to 17 per cent in 2003-04. Development expenditure declined from 63 per cent in 2001-02 to 47 per cent in 2003-04.

Out of the developmental expenditure (Rs 6,021 crore), Social Services (Rs 3,289 crore) accounted for 55 per cent during the year. "Education, Sports, Art and Cultural", "Health and Family Welfare", "Water Supply, Sanitation, Housing and Urban Development" consumed nearly 79 per cent of the expenditure on social sector.

**Table 13: Social Sector expenditure**

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Education, Sports, Art and Cultural	1,265 (2.59)	1,335 (2.42)	1,480 (2.46)	1,455 (2.21)	1,541 (2.11)
Health and Family Welfare	294 (0.60)	298 (0.54)	322 (0.53)	351 (0.53)	359 (0.49)
Water Supply, Sanitation, Housing and Urban Development	424 (0.87)	423 (0.77)	488 (0.81)	562 (0.85)	691 (0.95)
<b>Total</b>	<b>1,983</b>	<b>2,056</b>	<b>2,290</b>	<b>2,368</b>	<b>2,591</b>

\* Percentage of GSDP in brackets.

Similarly, the expenditure on Economic Services (Rs 2,732 crore) accounted for 45 per cent of the developmental expenditure. Of this, Energy (Rs 1,145 crore), Irrigation and Flood Control (Rs 641 crore) and Transport (Rs 994 crore) accounted for 102 per cent of the expenditure on Economic sector. This was due to appreciable recoveries of Rs 670 crore under procurement and supply of food grains in this year.

**Table 14: Economic Sector expenditure**

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Energy	763.57	405.64	829.54	984.48	1,145.24
Irrigation and flood control	621.61	647.91	779.44	702.78	640.98
Transport	607.51	649.24	877.67	808.44	993.50
<b>Total</b>	<b>1992.69</b>	<b>1,702.79</b>	<b>2,486.65</b>	<b>2,495.70</b>	<b>2,779.72</b>

**Financial assistance to local bodies and other institutions**

**1.7.2** Autonomous bodies and authorities perform non-commercial functions of public utility services. These bodies/authorities receive substantial financial assistance from Government. Government also provides substantial financial assistance to other institutions such as those registered under the respective State Co-operative Societies Act, Companies Act, 1956, etc. to implement various programmes of Government. The grants are given by Government mainly for maintenance of educational institutions, hospitals, charitable institutions, construction and maintenance of schools and hospital buildings, improvement of roads and other communication facilities under municipalities and local bodies.

The quantum of assistance provided to different Bodies, etc. during the period of five years ending 2003-04 was as follows:

**Table 15**

(Rupees in crore)

Sr. No.	Bodies/authorities, etc.	1999-2000	2000-01	2001-02	2002-03	2003-04
1.	Universities and Educational Institutions	130.43	167.48	215.59	190.14	242.31
2.	Municipal Corporations and Municipalities	103.55	116.26	144.03	158.95	175.96
3.	Zila Parishads and Panchayati Raj Institutions	4.97	9.78	35.77	5.02	59.25
4.	Development Agencies	91.76	119.06	128.32	116.82	114.68
5.	Hospitals and other Charitable Institutions	19.29	12.10	16.04	16.26	10.55
6.	Other Institutions (including statutory bodies)	61.42	87.49	128.71	120.61	124.46
<b>Total</b>		<b>411.42</b>	<b>512.17</b>	<b>668.46</b>	<b>607.80</b>	<b>727.21</b>
	Percentage increase(+)/ decrease (-) over previous year	8	24	31	(-) 9	20
	Assistance as a percentage of revenue receipts	7	8	9	7	7
	Percentage of assistance to revenue expenditure	6	7	8	7	7

**Delay in furnishing utilisation certificates**

**1.7.3** The financial rules require that where grants are given for specific purposes, certificates of utilisation are to be obtained by the departmental officers from the grantees and after verification, these should be forwarded to Accountant General (AG) within 15 months from the date of sanction of the grant unless specified otherwise.

Of 4,111 utilisation certificates due in respect of grants-in-aid of Rs 1,206.95 crore paid during 1991-92 to 2002-03, only 1,575 utilisation certificates for Rs 732.43 crore were furnished to AG by 30 June 2004 and 2,536 certificates for Rs 474.52 crore were in arrears. Department-wise and age-wise break-up is given in **Appendix II**.

***Delay in submission of accounts by Autonomous Bodies***

**1.7.4** The status of submission of accounts by the autonomous bodies and submission of separate Audit Reports thereon to the State Legislature as of June 2004 is given in ***Appendix III***.

**Audit arrangements**

**1.7.5** The audit of local bodies (Zila Parishads, Nagar Palikas and Town Area/Notified Area Committees), Educational Institutions, Panchayati Raj Institutions and others was conducted by the Director, Local Fund Audit, Haryana, Chandigarh. Audit of Co-operative Societies is conducted by the Registrar, Co-operative Societies, Haryana, Chandigarh.

The accounts of 84 bodies/authorities, which were received for the year 2002-03, attracted audit by Comptroller and Auditor General of India. Of these, 70 bodies/authorities, audit of which was due, were audited during 2003-04.

Two hundred and seventy four annual accounts of 99 bodies/authorities for 2003-04 and earlier years had not been received as of July 2004 by the Accountant General (Audit). The details are given in ***Appendix IV***. Of these bodies/authorities, 22<sup>1</sup> Municipal Committees and seven<sup>2</sup> Aided Colleges did not submit their accounts for five years or more.

***Non-furnishing of accounts of utilisation of grants***

**1.7.6** Out of 270 autonomous bodies to whom various Government departments released grants-in-aid of Rs 216.62 crore during the year 2002-03, as detailed in ***Appendix V***, 242 did not render the accounts for the utilisation of grants to the concerned departments as of July 2004.

**Misappropriations, defalcations, etc.**

**1.7.7** State Government reported 251 cases involving Rs 1.73 crore on account of misappropriations, defalcations, etc. of Government money. These cases pertained to the period from 1971-72 to the end of March, 2004 on which final action was pending at the end of June 2004. The department-wise/year-wise and category-wise break-up of pending cases is given in ***Appendix VI and VII*** respectively.

<sup>1</sup> Sr. No. 1 to 18, 20, 21, 24 and 25 of ***Appendix IV***.

<sup>2</sup> Sr. No.80, 82, 84, 85, 86, 88 and 96 of ***Appendix IV***.

### Write off of losses, etc.

**1.7.8** During 2003-04, Rs 9.18 lakh representing losses due to theft, fire and irrecoverable revenue, etc. were written off in 8 cases by competent authorities as reported to audit. The relevant details were as under:

**Table 16**

Sr. No.	Department	Number of cases	Amount (Rupees in lakh)
1.	Animal Husbandry	2	0.72
2.	Agriculture	1	0.45
3.	Forest	1	0.97
4.	Industries	1	1.44
5	Medical and Health	3	5.60
	<b>Total</b>	<b>8</b>	<b>9.18</b>

### 1.8 Assets and liabilities

**1.8.1** The Government accounting system does not attempt a comprehensive accounting of fixed assets, i.e. land, buildings, etc., owned by the Government. However, the Government accounts do capture the financial liabilities of the Government and the assets created out of the expenditure. Statement 16 read with details in Statement 17 of Finance Accounts shows the year-end balances under the Debt, Deposit and Remittance heads from which the liabilities and assets are worked out. **Statement-I** presents an abstract of such liabilities and the assets as on 31 March 2004 compared with the corresponding position on 31 March 2003. While the liabilities in this statement consist mainly of money owed by the State Government such as internal borrowings, loans and advances from the Government of India, receipts from the Public Account and Reserve Fund, the assets are comprised mainly of the capital expenditure and loans and advances given by the State Government. The liabilities of Government of Haryana depicted in the Finance Accounts, however, do not include the pension, other retirement benefits payable to serving/retired State employees, guarantees/letters of comfort issued by the State Government. **Statement-IV** depicts the Time Series Data on State Government Finances for the period 1999-2004.

### Financial results of irrigation works

**1.8.2** The financial results of seven major irrigation projects with a capital outlay of Rs 313.72 crore at the end of March 2004 showed that revenue realised from these projects during 2003-04 (Rs 140.28 crore) was 45 *per cent* of the capital outlay. After meeting the working and maintenance expenditure (Rs 102.58 crore) and interest charges (Rs 15.95 crore), there was a surplus of Rs 21.75 crore, which was seven *per cent* of capital outlay invested on these projects.



### Incomplete projects

**1.8.3** As per information received from the State Government, as of 31 March 2004, there were five<sup>3</sup> incomplete projects in which Rs 35.25 crore were blocked.

### Investments and returns

**1.8.4** As on 31 March 2004, Government had invested Rs 1,689.51 crore in Statutory Corporations, Joint Stock Companies and Co-operatives. Government's return on this investment was meagre (less than one *per cent*) as indicated in Table 17 below. Of these, one Statutory Corporation and 13 Government Companies with an aggregate investment of Rs 1,377 crore upto 2003-04 were incurring losses and their accumulated losses amounted to Rs 1,280 crore as per the accounts furnished by these companies upto 2002-03 (*Appendix VIII*). Thus Government needs not only to invest the high cost borrowings more judiciously to get better results, but also address the losses on account of such units by their disinvestment.

**Table 17: Return on Investment (Rupees in crore)**

Year	Investment at the end of the year	Return	Percentage of return	Rate of interest on Government borrowing ( <i>per cent</i> )
1999-2000	2,568.70	7.78	0.30	11.85 and 12.25
2000-01	2,843.73	1.81	0.06	10.52 and 12.00
2001-02	2,905.97	0.40	0.01	8,8.30,9.45 and 10.35
2002-03	3,067.25	1.73	0.06	6.75, 6.80, 6.95 and 7.80
2003-04	1689.51	4.11	0.24	5.85,5.90,6.20,6.35 and 6.40

### Loans and Advances by State Government

**1.8.5** In addition to its investment, Government has also been providing loans and advances to many of these bodies. Total outstanding balance of the loans advanced was Rs 3,903 crore as on 31 March 2004 (Table 18). Overall, interest received against these advances was only 2 *per cent* in 2003-04, which was less than the average rate of interest paid by the State Government for borrowings. Further, in most cases, Government orders sanctioning the loans did not specify the terms and conditions for these loans.

<sup>3</sup>

Sr. No.	Name of Projects	Expenditure (Rupees in crore)
1.	Periodic maintenance of Karnal-Ramba-Indri-Ladwa-Shahbad Road	9.10
2.	Maintenance of Ambala-Saha-Shahbad Road	5.55
3.	Maintenance of Kala Amb-Sadhaura-Shahbad Road	5.02
4.	Strengthening of existing Rohtak-Bhiwani Road	2.91
5.	Periodic maintenance of Bhiwani-Jui-Loharu Road	12.67
	<b>Total</b>	<b>35.25</b>

**Table 18: Average Interest Received on Loans Advanced by the State Government (Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Opening Balance	797	850	1,063	1,279	1,630*
Amount advanced during the year	286	282	301	457*	2,429
Amount repaid during the year	233	69	85	106	156
<b>Closing Balance</b>	<b>850</b>	<b>1,063</b>	<b>1,279</b>	<b>1,630*</b>	<b>3,903</b>
Net Addition (+) / Reduction (-)	53	213	216	350	2,273
Interest received (Rupees in crore)	7	9	8	7	95
Interest received as <i>per cent</i> to outstanding Loans and Advances	0.82	0.85	0.63	0.43	2.43
Average rate of interest paid by the State	12.05	11.26	9.03	7.07	6.14
Difference between rate of interest paid and received	(-)11.23	(-)10.41	(-)8.40	(-)6.64	(-)3.71

\* Higher rounding adopted to reconcile the balances.

### Commercial activities

#### *Lack of accountability for the use of public funds in departmental commercial undertakings*

**1.8.6** Activities of quasi-commercial nature are performed by the departmental undertakings of certain Government departments. These undertakings are to prepare *proforma* accounts in the prescribed format annually showing the results of financial operation so that the Government can assess the results of their working. The Heads of Departments in the Government are to ensure that the undertakings, which are funded by the budgetary release, prepare the accounts on a timely basis and submit the same to Accountant General for audit.

As of March 2004, there were six such undertakings/schemes with the Government of Haryana. Rupees 1,794.38 crore had been invested by the State Government in these undertakings/schemes at the end of the financial year up to which their accounts were completed. The department-wise position of preparation of accounts in respect of these undertakings was as follows:

Table 19

Department	No. of undertakings/ schemes under the department	Accounts not finalised (name of undertakings/ schemes)	Year upto which accounts finalised	Investment as per last accounts (Rupees in crore)
Agriculture	2	(i) Purchase and Distribution of Pesticides <sup>4</sup> (ii) Seed Depot Scheme <sup>4</sup>	1984-85 1986-87	2.07 NA
Printing and Stationery	1	Text Book Organisation	2002-03	3.22 (Provisional)
Transport	1	Haryana Roadways	2000-01	326.26
Animal Husbandry	1	Veterinary Vaccine Institute, Hisar	2001-02	0.02
Food and Supplies	1	Grain Supply Scheme	2002-03	1,462.81
<b>Total</b>				<b>1,794.38</b>

It would be seen that the two undertakings relating to Agriculture Department had not prepared their accounts for more than 18 years. Accounts of one undertaking each of Transport, Animal Husbandry, Printing and Stationery and Food and Supplies Departments were in arrears by three, two and one year respectively.

### Management of cash balances

**1.8.7** It is generally desirable that State's flow of resources should match its expenditure obligations. However, to take care of any temporary mis-matches in the flow of resources and the expenditure obligations, a mechanism of Ways and Means Advances (WMA) from Reserve Bank of India has been put in place. Haryana had the WMA limit of Rs 205 crore from 1 April 2003 to 31 March 2004. During the year, the State has used this mechanism for 27 days only as against 64 days last year although it raised borrowings of Rs 1,165 crore from the market on six occasions. In addition a sum of Rs 2,022.29 crore was raised through Haryana Government Power Bond carrying 8.5 per cent interest redeemable during the period from 2006 upto 2016. The whole amount was realised in cash. In a nutshell, the State managed its cash requirements in a much better way this year than in the previous years.

Table 20: Ways and Means and Overdrafts of the State and Interest paid thereon (Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
<b>Ways and Means Advances</b>					
Taken in the Year	1,211.78	1,563.46	2,642.96	633.97	238.98
Outstanding	109.41	23.83	178.01	--	--
Interest Paid	2.09	1.28	6.35	3.04	0.26
<b>Overdraft</b>					
Taken in the Year	656.07	764.26	964.01	177.42	--
Outstanding	--	--	406.65	--	--
Interest Paid	1.57	3.10	0.80	0.79	--
Number of Days State was in Overdraft	97	104	70	21	--

<sup>4</sup> These schemes are defunct since 1986-87 (Purchase and distribution of pesticides) and 1984-85 (Seed Depot scheme).

## Undischarged liabilities

### Fiscal liabilities—public debt and guarantees

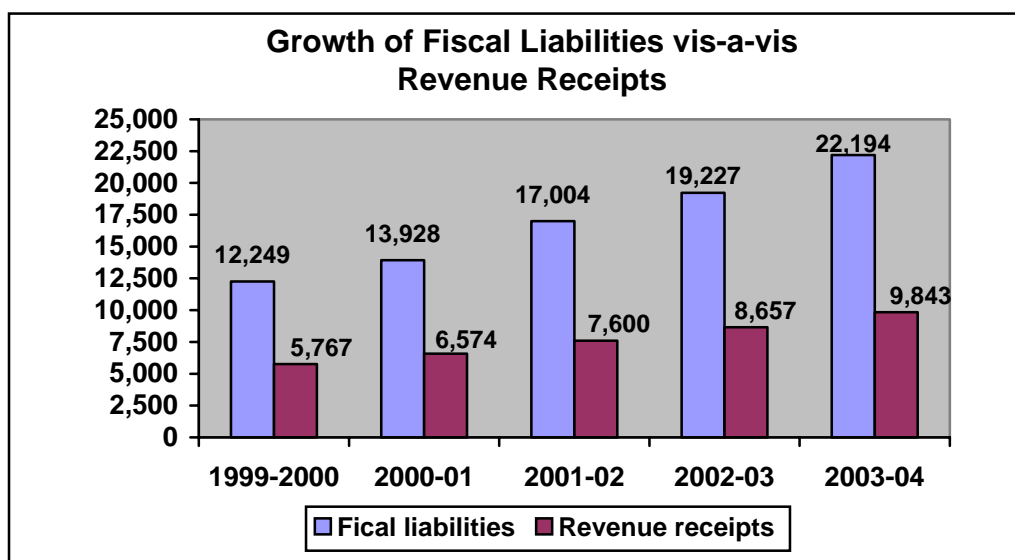
**1.8.8** The Constitution of India provides that a State may borrow within the territory of India, upon the security of its consolidated fund, within such limits, as may from time to time, be fixed by an Act of Legislature. However, no such law was passed from the State to lay down any such limit. Statement 4, read with Statements 16 and 17 of Finance Accounts, shows the year-end balances under Debt, Deposit and Remittances heads from which the liabilities are worked out.

It would be observed that the over all fiscal liabilities of the State increased by 81 *per cent* from Rs 12,249 crore in 1999-2000 to Rs 22,194 crore in 2003-04. These liabilities as ratio to GSDP increased from 25 *per cent* in 1999-2000 to 30 *per cent* in 2003-04 and stood at 2.26 times of its revenue receipts and 2.59 times of its own resources comprised of its own tax and non-tax revenue. Table 21 below gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP revenue receipts and own resources and buoyancy of these liabilities with respect to these parameters.

**Table 21: Fiscal Imbalances—Basic Parameters (Rupees in crore and Ratios in *per cent*)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Fiscal Liabilities	12,249	13,928	17,004	19,227	22,194
Rate of Growth	20.10	13.71	22.09	13.07	15.43
<b>Ratio of Fiscal Liabilities to</b>					
GSDP	25.0	25.3	28.2	29.2	30.4
Revenue Receipts	212.4	211.9	223.7	222.1	225.5
Own Resources	256.4	242.2	256.2	261.3	258.9
<b>Buoyancy of Fiscal Liabilities to</b>					
GSDP	1.667	1.091	2.358	1.399	1.422
Revenue Receipts	3.824	0.980	1.415	0.940	0.538
Own Resources	6.707	0.673	1.432	1.203	0.936

In addition to these liabilities, Government had guaranteed loans of its various Corporations and others, which as of 31 March 2004 stood at Rs 5,907 crore. The guarantees are in the nature of contingent liabilities of the State and in the event of non-payment of loans, there may be an obligation on the State to honour these commitments. Currently, the fiscal liabilities including the contingent liabilities were 2.85 times the revenue receipts of the State. The direct fiscal liabilities of the State have grown much faster as compared to its rate of growth of GSDP.



Increasing liabilities had raised the issue of sustainability of the finances of the State Government. Fiscal liabilities are considered sustainable if the weighted interest paid on these liabilities is lower than the rate of growth of GSDP.

Debt sustainability with reference to weighted interest rate, GDSP growth rate and interest spread is indicated in Table 22.

**Table 22: Debt Sustainability – Interest Rate and GSDP Growth (in per cent)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Weighted Interest Rate	12.09	11.40	10.50	10.74	10.20
GSDP Growth	12.06	12.56	9.37	9.34	10.85
Interest spread	(-) 0.03	1.16	(-) 1.13	(-) 1.40	0.65

Another important indication of debt sustainability is net availability of the funds after payment of the principal on account of the earlier contracted liabilities and interest. Table 23 below gives the position of the receipts and repayments of internal debt over the last five years. The net funds available on account of the internal debt and loans and advances from Government of India after providing for the interest and repayments declined from 30 to 12 per cent during 1999-2004.

**Table 23: Net Availability of Borrowed Funds (Rupees in crore)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
<b>Internal Debt*</b>					
Receipts	923	1,563	2,459	3,400	5,864
Repayments (Principal + Interest)	555	895	1,252	1,935	2,820
Net Funds Available	368	668	1,207	1,465	3,044
Net Funds Available (per cent)	40	43	49	43	52
<b>Loans and Advances from Government of India</b>					
Receipts	1,024	319	339	249	421
Repayments (Principal + Interest)	804	856	913	947	2,684
Net Funds Available	220	(-) 537	(-) 574	(-) 698	(-) 2,263
Net Funds Available (per cent)	21	(-) 168	(-) 169	(-) 280	(-)538
<b>Total Public Debt</b>					
Receipts	1,947	1,882	2,798	3,649	6,285
Repayments (Principal + Interest)	1,359	1,751	2,165	2,882	5,504
Net Funds Available	588	131	633	767	781
Net Funds Available (per cent)	30	7	23	21	12

\* Internal debt excluding ways and means advances.

The State Government raised market loans of Rs 1,165 crore during the year. The weighted average rate of market borrowings during the year was 6.14 per cent whereas the State Government raised Power Bonds of Rs 2,022.29 crore at the rate of 8.5 per cent also in the market. The State Government did not use the option of raising the market borrowings at competitive rates through auctions. As on 31 March 2004, 45 per cent of the existing market loans of the State Government carried an interest rate exceeding 10 per cent. Thus, the effective cost of borrowings on their past loans is much higher than the rate at which they are able to raise resources at present from the market. The maturity profile of the State Government market loans indicate that nearly one-fourth of the total market loans are repayable within next five years while remaining three-fourth loans are required to be repaid within 5 to 12 years.

## 1.9 Management of deficits

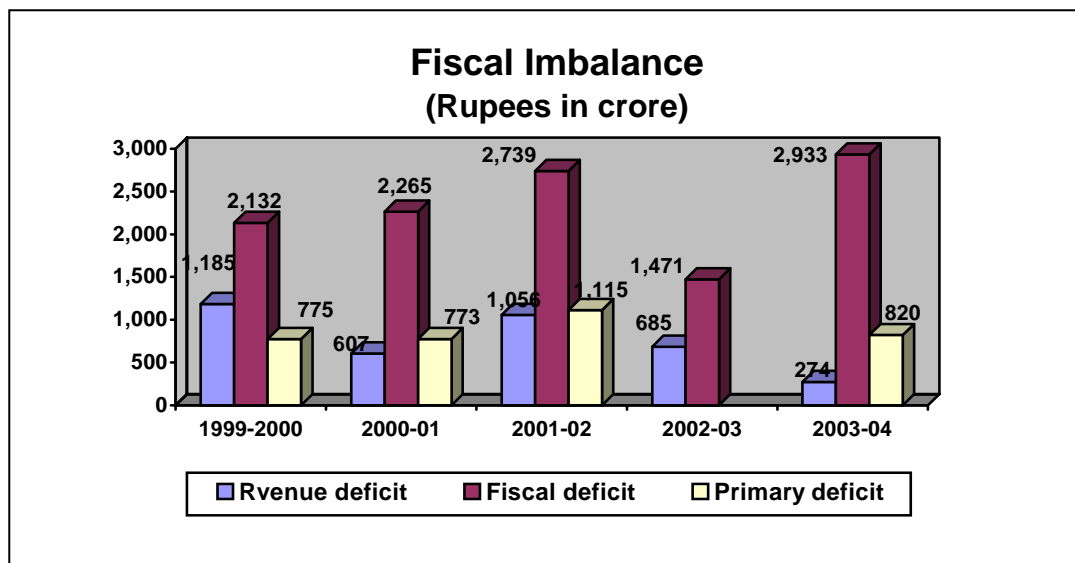
### Fiscal imbalances

**1.9.1** The deficits in Government accounts represent the gap between its receipts and expenditure. The nature of deficit is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources so raised are applied are important pointers to the fiscal health.

The revenue deficit (Statement 1 of Finance Account) of the State, which is the excess of its revenue expenditure over revenue receipts, decreased from Rs 1,185 crore in 1999-2000 to Rs 274 crore in 2003-04. However, the fiscal deficit, which represents the total borrowings of the Government and its total resource gap, increased from Rs 2,132 crore in 1999-2000 to Rs 2,933 crore in 2003-04. Primary deficit also increased from Rs 775 crore in 1999-2000 to Rs 820 crore in 2003-04 as indicated in Table 24.

**Table 24: Fiscal Imbalances – Basic Parameters (Value: Rupees in crore and Ratios in per cent)**

	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenue Deficit (RD)	(-) 1,185	(-) 607	(-) 1,056	(-) 685	(-)274
Fiscal Deficit (FD)	(-) 2,132	(-) 2,265	(-) 2,739	(-) 1,471	(-) 2,933
Primary Deficit (PD) (-)/ Surplus (+)	(-) 775	(-) 773	(-) 1,115	475	(-) 820
RD/GSDP	(-) 2.42	(-) 1.10	(-) 1.75	(-) 1.04	(-) 0.38
FD/GSDP	(-) 4.36	(-) 4.11	(-) 4.55	(-) 2.23	(-) 4.02
PD/GSDP	(-) 1.58	(-) 1.40	(-) 1.85	0.72	(-) 1.12
RD/FD	55.58	26.80	38.55	46.57	9.34



Persistent revenue deficit indicated that the revenue receipts of the State were not able to meet its revenue expenditure because of poor tax administration as there were arrears of revenue to the tune of Rs 851 crore apart from incorrect budgeting of finances and Government had to borrow funds to meet its current obligations. The ratio of revenue deficit to fiscal deficit has decreased from 56 per cent in 1999-2000 to 9 per cent in 2003-04. As proportion to GSDP, revenue deficit had decreased to 0.38 per cent in 2003-04 and fiscal deficit to 4 per cent.

## 1.10 Fiscal ratios

**1.10.1** The finances of a State should be sustainable, flexible and non-vulnerable. Table 25 below presents a summarised position of Government Finances over 1999-2004, with reference to certain key indicators that help assess the adequacy and effectiveness of available resources and their applications, highlight areas of concern and capture its important facets.

The ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy of the resources. The buoyancy of the revenue receipts indicates the nature of the tax regime and the State's increasing access to resources with increase in GSDP. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. These ratios showed a continuous improvement during 1999-2004 indicating mobilization of resources and its sustainability.

Various ratios concerning expenditure management of the State indicate the quality of its expenditure and sustainability of these in relation to its resources mobilization. The ratio of revenue expenditure and development expenditure to total expenditure declined from 85 and 60 in 1999-2000 to 78 and 47 in 2003-04 respectively. The decline in development expenditure is indicative of State's inadequate ability to sustain the servicing of borrowings and inadequate expansion of development activities.

**Table 25: Ratios of Fiscal Efficiency (in per cent)**

Fiscal Ratios	1999-2000	2000-01	2001-02	2002-03	2003-04
<b>Resources Mobilization</b>					
Revenue Receipts/GSDP	11.79	11.94	12.62	13.15	13.49
Revenue Buoyancy	0.436	1.114	1.666	1.489	1.263
Own Tax/GSDP	7.19	7.83	8.26	8.43	8.69
<b>Expenditure Management</b>					
Total Expenditure/GSDP	16.63	16.18	17.31	15.54	17.72
Revenue Receipts/ Total Expenditure	70.92	73.80	72.91	84.59	76.11
Revenue Expenditure/Total Expenditure	85.48	80.60	83.04	91.28	78.23
Capital Expenditure	10.99	16.22	14.07	4.26	2.98
Development Expenditure/Total Expenditure	60.44	61.34	62.89	56.01	46.56
Buoyancy of TE with RR	(-) 0.324	0.682	1.090	(-) 0.131	1.924
Buoyancy of RE with RR	(-) 0.182	0.235	1.316	0.570	0.606
<b>Management of Fiscal Imbalances</b>					
Revenue deficit (Rs in crore)	(-) 1,185	(-) 607	(-) 1,056	(-) 685	(-) 274
Fiscal deficit (Rs in crore)	(-) 2,132	(-) 2,265	(-) 2,739	(-) 1,471	(-) 2,933
Primary Deficit (Rs in crore)	(-) 775	(-) 773	(-) 1,115	475	(-) 820
Revenue Deficit/Fiscal Deficit	55.58	26.80	38.55	46.57	9.34
<b>Management of Fiscal Liabilities</b>					
Fiscal Liabilities/GSDP	25.0	25.3	28.2	29.2	30.4
Fiscal Liabilities/RR	212.4	211.9	223.7	222.1	225.5
Buoyancy of FL with RR	3.824	0.980	1.415	0.606	1.383
Buoyancy of FL with own resources	6.707	0.673	1.432	1.203	0.936
Interest Spread	(-) 0.03	1.16	(-) 1.13	(-) 1.40	0.65
Net Fund Available	30	7	23	21	12
<b>Other Fiscal Health Indicators</b>					
Return on Investment	7.78	1.81	0.40	1.73	4.11
BCR (Rs in crore)	(-) 717	(-) 6	(-) 213	(-) 70	326
Financial Assets/Liabilities	0.68	0.69	0.68	0.67	0.71

Government did well in reducing the revenue deficit by 60 per cent during the year. However, increasing fiscal deficit year after year coupled with mounting arrears of revenue and low investment returns questions the sustainability of the State's finances. This is because large amounts of revenue (72 per cent) were spent on interest payments, pension payments, subsidies and salaries and fresh borrowings were needed to sustain the current expenditure. Most of the borrowings (88 per cent) were spent on servicing and repayment of old borrowings leaving a little scope for infrastructure development. The interest liability is bound to increase and further reduce the availability of funds from borrowings for capital formation in years to come unless State Government strengthens the tax collection administration and invests the high cost borrowings more judiciously to broaden the tax base. Government should also consider the disinvestment of loss making companies to reduce its current liabilities.



**STATEMENT-I**  
**SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF**  
**HARYANA**

(Rupees in crore)

As on 31 March 2003	Liabilities		As on 31 March 2004
<b>8,059.98</b>		<b>Internal Debt</b>	<b>12,191.45</b>
	2,739.20	Market Loans bearing interest	3,825.04
	3.24	Market Loans not bearing interest	3.63
	35.04	Loans from LIC	31.81
	5,282.50	Loans from other Institutions, etc.	8,330.97
	-	Ways and Means Advances	-
<b>5,331.74</b>		<b>Loans and Advances from Central Government</b>	<b>3,695.51</b>
	110.52	Pre 1984-85 Loans	90.33
	2,675.81	Non-plan Loans	790.42
	2,499.22	Loans for State Plan Schemes	2,769.14
	26.74	Loans for Central Plan Schemes	24.83
	19.45	Loans for Centrally Sponsored Plan Schemes	20.79
<b>10.00</b>		<b>Contingency Fund</b>	<b>10.00</b>
<b>4,661.92</b>		<b>Small Savings, Provident Funds, etc.</b>	<b>4,953.95</b>
<b>826.66</b>		<b>Deposits</b>	<b>1,041.60</b>
<b>436.31</b>		<b>Reserve Funds</b>	<b>559.11</b>
-		<b>Remittance Balances</b>	-
-		<b>Suspense and Miscellaneous Balances</b>	<b>100.47</b>
<b>19,326.61</b>			<b>22,552.09</b>
As on 31 March 2003	Assets		As on 31 March 2004
<b>10,948.37</b>		<b>Gross Capital Outlay</b>	<b>11,334.02</b>
	3,067.25	Investments in shares of Companies, Corporations, etc.	1,689.51
	7,881.12	Other Capital Outlay	9,644.51
<b>1,629.59</b>		<b>Loans and Advances</b>	<b>3,903.33</b>
	300.15	Loans for Power Projects	2,391.24
	1,144.33	Other Development Loans	1,300.19
	185.11	Loans to Government Servants, etc.	211.90
<b>0.67</b>		<b>Advances</b>	<b>0.69</b>
<b>7.39</b>		<b>Remittance Balances</b>	<b>8.00</b>
<b>363.25</b>		<b>Suspense and Miscellaneous Balances</b>	-
<b>33.48</b>		<b>Cash</b>	<b>684.36</b>
	1.44	Cash in Treasuries and Local Remittances	0.01
	9.03	Departmental Balances	7.69
	0.09	Permanent Cash Imprest	0.09
	248.76	Cash Balance Investment and other Reserve Fund Investment	890.44
	(-)225.84	Deposits with Reserve Bank	(-)213.87
<b>6,343.86</b>		<b>Deficit on Government Accounts</b>	<b>6,621.69</b>
	685.11	(i) Revenue Deficit of the Current Year	273.71
	5,658.75	(ii) Accumulated deficit up to preceding year	6,343.86
	<sup>5</sup>	(iii) Miscellaneous Government Account	4.12
<b>19,326.61</b>		<b>Total</b>	<b>22,552.09</b>

<sup>5</sup> Rs 10,664 only as on 31 March 2003.

**STATEMENT-II**  
**ABSTRACT OF RECEIPTS AND DISBURSEMENTS FOR THE**  
**YEAR 2003-04**

(Rupees in crore)

Receipts				Disbursements				
2002-03			2003-04	2002-03		Non-Plan	Plan	2003-04
8,657.02	Section A : Revenue		9,843.48	9,342.13	I. Revenue Expenditure	8,992.84	1,124.35	10,117.19
5,549.68	I. Revenue Receipts			3,995.32	General Services	4,338.48	29.24	4,367.72
1,807.85	Tax Revenue	6,348.05		2,808.70	Social Services	2,287.34	708.37	2,995.71
756.59	Non-Tax Revenue	2,223.06		1,447.18	Education, Sports, Art and Culture	1,387.73	148.14	1,535.87
	State's share of Union Taxes and Duties	600.75			Health and Family Welfare	247.56	102.86	350.42
109.17	Non-Plan Grants	117.15		342.68	Water Supply, Sanitation, Housing and Urban Development	373.60	47.34	420.94
213.91	Grants for State Plan Schemes	337.71		366.55	Information and Broadcasting	14.46	1.08	15.54
	Grants for Central Plan and Centrally Sponsored Plan Schemes	216.76		14.41	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	20.80	24.64	45.44
				45.08	Labour and Labour Welfare	50.45	8.92	59.37
				56.45	Social Welfare and Nutrition	188.85	375.39	564.24
				533.39	Others	3.89	-	3.89
				2.96	Economic Services	2,319.31	386.74	2,706.05
				2,532.48	Agriculture and allied activities	310.38	112.37	422.75
				411.25	Rural Development	45.19	94.05	139.24
				135.90	Irrigation and Flood Control	336.47	80.35	416.82
				474.56	Energy	925.78	56.81	982.59
				850.26	Industry and Minerals	14.82	10.05	24.87
				37.04	Transport	672.29	11.00	683.29
				592.50	Science, Technology and Environment	0.43	6.75	7.18
				4.08	General Economic Services	13.95	15.36	29.31
				26.89	Grants-in-aid and Contributions	47.71	-	47.71
				5.63				
685.11	II. Revenue Deficit carried over to Section B	273.71	273.71					
9,342.13	<b>Total Section A</b>		<b>10,117.19</b>	<b>9,342.13</b>		<b>8,992.84</b>	<b>1,124.35</b>	<b>10,117.19</b>
155.87	Section B - Others		33.48	435.80	II. Capital Outlay	(-)668.00	1,053.65	385.65
	III. Opening Cash Balance including Permanent Advances and Cash Balance investment			45.36	General Services	-	66.46	66.46
				214.28	Social Services	-	293.67	293.67
				7.83	Education, Sports, Art and Culture	-	4.81	4.81
				8.42	Health and Family Welfare	-	9.00	9.00
				195.43	Water Supply, Sanitation, Housing and Urban Development	-	269.85	269.85
				0.70	Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	-	0.70	0.70
				1.06	Social Welfare and Nutrition	-	7.39	7.39
				0.84	Others	-	1.92	1.92
				176.16	Economic Services	(-)668.00	693.52	25.52
				(-)405.22	Agriculture and allied activities	(-)668.54	(-) 6.45	(-) 674.99
				228.22	Irrigation and Flood Control	-	224.16	224.16
				134.23	Energy	-	162.63	162.63
				0.48	Industry and Minerals	-	0.01	0.01
				215.94	Transport	0.54	309.67	310.21
				2.50	General Economic Services	-	3.50	3.50

Receipts				Disbursements			
2002-03			2003-04	2002-03			2003-04
106.30	IV. Recoveries of Loans and Advances		155.58	456.43	III. Loans and Advances Disbursed		2,429.32
-	From Power Projects	23.26		40.43	For Power Projects	2,114.35	
58.31	From Government Servants	64.26		94.99	To Government Servants	91.05	
47.99	From others	68.06		321.01	To others	223.92	
3,648.93	V. Public Debt Receipts		6,284.76	685.11	IV. Revenue Deficit brought down		273.71
3,399.76	Internal Debt other than Ways and Means Advances and Overdraft	5,864.17		1,932.28	V. Repayment of Public Debt		3,789.52
	Net transaction under Ways and Means Advances and Overdraft	7		1,095.97	Internal Debt other than Ways and Means Advances and Overdraft	1,732.70	
	Loans and Advances from Central Government	420.59		584.67 <sup>6</sup>	Net transaction under Ways and Means Advances and Overdraft	7	
4,920.81	VI. Public Accounts Receipts		7,662.06	251.64	Repayment of Loans and Advances to Central Government	2,056.82	
1,000.85	Small Savings, Provident Fund, etc.	999.82		5,288.81	VI. Public Account Disbursements		6,573.32
135.09	Reserve Funds	176.97		645.99	Small Savings, Provident Fund, etc.	707.78	
2,141.42	Deposits and Advances	4,457.59		128.22	Reserve Funds	54.16	
(-)123.82	Suspense and Miscellaneous	193.76		2,025.72	Deposits and Advances	4,242.67	
1,767.27	Remittances	1,833.92		698.00	Suspense and Miscellaneous	(-) 265.83	
				1,790.88	Remittances	1,834.54	
				33.48	VII. Cash Balance at end		684.36
				1.44	Cash in Treasuries and Local Remittances	0.01	
				(-)225.84	Deposits with Reserve Bank	(-) 213.87	
				9.12	Departmental Cash Balance including Permanent Advances, etc.	7.78	
				248.76	Cash Balance Investment	890.44	
8,831.91	Total - Section B		14,135.88	8,831.91	Total		14,135.88

<sup>6</sup> Represents receipts of Rs 811.39 crore and repayments of Rs 1,396.06 crore.  
<sup>7</sup> Represents receipt and repayment of Rs 238.98 crore each.

**STATEMENT-III  
SOURCES AND APPLICATION OF FUNDS**

(Rupees in crore)

2002-03	Sources	2003-04
8,657.02	<b>Revenue Receipts</b>	9,843.48
106.30	<b>Recoveries of Loans and Advances</b>	155.58
1,716.65	<b>Increase in Public debt</b>	2,495.24
(-)368.00	<b>Net Receipts from Public Account -</b>	1,088.74
	354.86 Increase in Small Savings, Provident Funds, etc.	292.04
	115.70 Increase in Deposits and Advances	214.92
	6.87 Increase in Reserve funds	122.81
	(-) 821.82 Net effect of Suspense and Miscellaneous transactions	459.59
	(-) 23.61 Net effect of Remittance transactions	(-) 0.62
122.39	<b>Decrease in cash balance</b>	
<b>10,234.36</b>	<b>Total</b>	<b>13,583.04</b>
2002-03	Application	2003-04
9,342.13	<b>Revenue expenditure</b>	10,117.19
456.43	<b>Lending for development and other purposes</b>	2,429.32
435.80	<b>Capital expenditure</b>	385.65
-	<b>Increase in cash balance</b>	650.88
<b>10,234.36</b>	<b>Total</b>	<b>13,583.04</b>

Explanatory Notes for Statements I, II and III:

1. The abridged accounts in the foregoing Statements have to be read with comments and explanations in the Finance Accounts.
2. Government accounts being mainly on cash basis, the deficit on Government accounts, as shown in Statement-I, indicates the position on cash basis, as opposed to accrual basis in commercial accounting. Consequently, items payable or receivable or items like depreciation or variation in stock figures etc., do not figure in the accounts.
3. Suspense and Miscellaneous balances include cheques issued but not paid, payments made on behalf of the State and other pending settlement, etc.
4. There was a difference of Rs 2.10 crore (debit) between the figures reflected in the accounts and that intimated by the RBI under "Deposits with Reserve Bank" (July 2004).

**STATEMENT-IV**  
**TIME SERIES DATA ON STATE GOVERNMENT FINANCES**

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
<b>Part A. Receipts</b>					
1. Revenue Receipts	5,767	6,574	7,600	8,657	9,843
(i) Tax Revenue	3,518 (61)	4,311 (66)	4,971 (65)	5,550 (64)	6,348 (64)
Taxes on Sales, Trade, etc.	1,968 (56)	2,573 (60)	2,945 (59)	3,337 (60)	3,838 (61)
State Excise	765 (22)	841 (20)	875 (18)	879 (16)	923 (15)
Taxes on Vehicles	85 (2)	86 (2)	104 (2)	114 (2)	132 (2)
Stamps duty and Registration fees	310 (9)	419 (10)	488 (10)	541 (10)	696(11)
Land Revenue	4	12	19	10	20
Taxes on goods and passengers	324 (9)	367 (8)	499 (10)	653 (12)	660 (10)
Taxes and duties on Electricity	46 (1)	1 (-)	29 (1)	1	59 (1)
Other Taxes	16 (1)	12 (-)	12	15	20
(ii) Non-Tax Revenue	1,259 (22)	1,439 (22)	1,666 (22)	1,808 (21)	2,223 (23)
(iii) State's share in Union taxes and duties	525 (9)	346 (5)	450(6)	756 (9)	601 (6)
(iv) Grants-in-aid from Government of India	465 (8)	478 (7)	513 (7)	543 (6)	671 (7)
2. Misc. Capital Receipts	--	--	--	-	-
3. Total Revenue and Non debt capital receipt (1+2)	5,767	6,574	7,600	8,657	9,843
4. Recoveries of Loans and Advances	233	69	85	106	156
5. Public Debt Receipts	2,038	1,882	3,359	3,649	6,285
Internal Debt (excluding Ways & Means Advances and Overdrafts)	923 (45)	1,563 (83)	2,459(73)	3,400 (93)	5,864 (93)
Net transactions under Ways and Means Advances and Overdraft	91 (5)	--	561 (17)	-	-
Loans and Advances from Government of India <sup>8</sup>	1,024 (50)	319 (17)	339 (10)	249 (7)	421 (7)
6. Total Receipts in the Consolidated Fund (3+4+5)	8,038	8,525	11,044	12,412	16,284
7. Contingency Fund Receipts	-	-	-	-	-
8. Public Accounts receipts	3,789	4,478	4,914	4,921	7,662
9. Total receipts of the State (6+7+8)	11,827	13,003	15,958	17,303	23,946
<b>Part B. Expenditure</b>					
10. Revenue Expenditure	6,952	7,181	8,656	9,342	10,117
Plan	901 (13)	992 (14)	1,197 (14)	1,049 (11)	1,124 (11)
Non-plan	6,051 (87)	6,189 (86)	7,459 (86)	8,293 (89)	8,993 (89)
General Services (including Interests payments)	2,903 (42)	3,117 (43)	3,486 (40)	3,995 (43)	4,368 (43)
Economic Services	1,791 (26)	1,543 (22)	2,415 (28)	2,532 (27)	2,706(27)
Social Services	2,257 (32)	2,506 (35)	2,725 (32)	2,809 (30)	2,995 (30)
Grants-in-aid and contributions	1	15	30	6	48
11. Capital Expenditure	894	1,445	1,467	436	386
Plan	886 (99)	914 (63)	902 (61)	846 (194)	1,054 (273)
Non-plan	8 (1)	531 (37)	565 (39)	(-410 (-)94)	(- 668 (-173)
General Services	27(3)	30 (2)	51 (3)	45 (10)	66 (17)
Economic Services	702 (79)	1,272 (88)	1,225 (84)	176 (41)	26 (7)
Social Services	165 (18)	143 (10)	191 (13)	215 (49)	294 (76)
12. Disbursement of Loans and Advances	286	282	301	456	2429
13. Total (10+11+12)	8,132	8,908	10,424	10,234	12,932
14. Repayments of Public Debt	543	757	961	1,932	3,790
Internal Debt (excluding Ways and Means Advances and Overdrafts)	377 (69)	479 (63)	737(77)	1,096 (57)	1,733 (46)
Net transactions under Ways and Means Advances and Overdraft	--	86 (11)	-	585 (30)	-
Loans and Advances from Government of India	166 (31)	192 (26)	224 (23)	251 (13)	2,057 (54)
15. Appropriation to Contingency Fund	-	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	8,675	9,665	11,385	12,166	16,722
17. Contingency Fund disbursements	-	-	-	-	-
18. Public Accounts disbursements	3,095	3,480	4,243	5,289	6,573
19. Total disbursement by the State (16+17+18)	11,770	13,145	15,628	17,425	23,295
<b>Part C. Deficits</b>					
20. Revenue Deficit (1-10)	(-)1,185	(-)607	(-)1,056	(-)685	(-) 274
21. Fiscal Deficit (3+4-13)	(-)2,132	(-)2,265	(-)2,739	(-)1,471	(-) 2,933
22. Primary Deficit (-)/surplus (+) (21-23)	(-)775	(-)773	(-)1,115	(+)475	(-) 820
<b>Part D. Other data</b>					
23. Interest Payments (included in revenue expenditure)	1,357	1,492	1,624	1,946	2,113
24. Arrears of Revenue(Percentage of Tax & non-tax Revenue Receipts)	312 (7)	396 (7)	516(8)	577(8)	851 (6)
25. Financial Assistance to local bodies etc.	411	512	668	608	727
26. Ways and Means Advances (WMA)/Overdraft availed (days)	245	281	299	71	27
27. Interest on WMA/Overdraft	3.66	4.38	7.15	3.83	0.26
28. Gross State Domestic Product (GSDP) <sup>9</sup>	48,910	55,055	60,212	65,837	72,980
29. Outstanding Debt (year end)	12,249	13,928	17,004	19,227	22,194
30. Outstanding guarantees including interest (year end)	4,316	8,209	8,606	7,690	5,907
31. Maximum amount guaranteed (year end)	7,219	12,025	12,222	12,461	9,457
32. Number of incomplete projects	6	6	3	6	5
33. Capital blocked in incomplete projects	8.82	8.82	2.50	9.50	35.25

Note: Figures in brackets represent percentages (rounded) to total of each sub heading.

<sup>8</sup> Includes Ways and Means Advances from GOI.

<sup>9</sup> Source of GSDP: Revised figures adopted as per Economic Survey of Haryana for 2003-04 conducted by Economic and Statistical Organisation, Haryana. GSDP for 2003-04 has been worked out by taking the average growth rate of 10.85 per cent on the basis of growth during 1999-2000 to 2002-03.

